Exhibit A

U.S. COMMODITY FUTURES TRADING COMMISSION
ENSURING THE INTEGRITY OF THE FUTURES & OPTIONS MARKETS

CFTC GLOSSARY

A GUIDE TO THE LANGUAGE OF THE FUTURES INDUSTRY

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Back Months: Futures delivery months other than the **spot** or **front month** (also called **deferred months**).

Back Office: The department in a financial institution that processes and deals and handles delivery, settlement, and regulatory procedures.

Back pricing: Fixing the price of a commodity for which the commitment to purchase has been made in advance. The buyer can fix the price relative to any monthly or periodic delivery using the futures markets.

Back Spread: A **delta-neutral ratio spread** in which more options are bought than sold. A back spread will be profitable if volatility increases. See **Delta**.

Backwardation: Market situation in which futures prices are progressively lower in the distant delivery months. For instance, if the gold quotation for January is $360.00 per ounce and that for June is $355.00 per ounce, the backwardation for five months against January is $5.00 per ounce. (Backwardation is the opposite of **contango**). See **Inverted Market**.

Banging the Close: A manipulative or disruptive trading practice whereby a trader buys or sells a large number of futures contracts during the closing period of a futures contract (that is, the period during which the futures settlement price is determined) in order to benefit an even larger position in an option, swap, or other derivative that is cash settled based on the futures settlement price on that day.

Banker's Acceptance: A draft or bill of exchange accepted by a bank where the accepting institution guarantees payment. Used extensively in foreign trade transactions.

Basis: The difference between the **spot** or cash price of a commodity and the price of the nearest futures contract for the same or a related commodity (typically calculated as cash minus futures). Basis is usually computed in relation to the futures contract next to expire and may reflect different time periods, product forms, **grades**, or **locations**.

Basis Grade: The **grade** of a commodity used as the standard or **par** grade of a futures contract.

Basis Point: The measurement of a change in the yield of a debt security. One basis point equals 1/100 of one percent.

Basis Quote: Offer or sale of a cash commodity in terms of the difference above or below a futures price (e.g., 10 cents over December corn).

Basis Risk: The risk associated with an unexpected widening or narrowing of the **basis** between the time a hedge position is established and the time that it is lifted.

Basis Swap: A **swap** whose cash settlement price is calculated based on the **basis** between a futures contract (e.g., natural gas) and the **spot** price of the underlying commodity or a closely related commodity (e.g., natural gas at a location other than the futures delivery location) on a specified date.

Bear: One who expects a decline in prices. The opposite of a **bull**. A news item is considered bearish if it is expected to result in lower prices.

Bear Market: A market in which prices generally are declining over a period of months or years. Opposite of **bull market**.

Bear Market Rally: A temporary rise in prices during a **bear market**. See **Correction**.

Bear Spread: (1) A strategy involving the simultaneous purchase and sale of options of the same class and expiration date, but different strike prices. In a bear spread, the option that is purchased has a lower delta than the option that is bought. For example, in a call bear spread, the purchased option has a higher exercise price than the option that is sold. Also called **bear vertical spread**. (2) The simultaneous purchase and sale of two futures contracts in the same or related commodities with the intention of profiting from a decline in prices but at the same time limiting the potential loss if this expectation does not materialize.

In agricultural products, this is accomplished by selling a nearby delivery and buying a deferred delivery

Bear Vertical Spread: See **Bear Spread**.

Beta (Beta Coefficient): A measure of the variability of rate of return or value of a stock or portfolio compared to that of the overall market, typically used as a measure of riskiness.

Bermuda Option: An **exotic option** which can be exercised on a specified set of predetermined dates during the life of the option.

Bid: An offer to buy a specific quantity of a commodity at a stated price.

Bid-Ask Spread or Bid-Offer Spread: The difference between the **bid** price and the **ask** or **offer** price.

Binary Option: A type of option whose payoff is either a fixed amount or zero. For example, there could be a binary option that pays $100 if a hurricane makes landfall in Florida before a specified date and zero otherwise. Also called a digital option.

Blackboard Trading: The practice, no longer used, of buying and selling commodities by posting prices on a blackboard on a wall of a commodity exchange.

Black-Scholes Model: An **option pricing model** initially developed by Fischer Black and Myron Scholes for securities options and later refined by Black for options on futures.

Block Trade: A large transaction that is negotiated off an exchange's trading facility and then posted on the trading facility, as permitted under exchange rules.

Board Order: See **Market-if-Touched Order**.

Board of Trade: Any organized exchange or other trading facility for the trading of futures and/or option contracts.

Boiler Room: An enterprise that often is operated out of inexpensive, low-rent quarters (hence the term "boiler room"), that uses high pressure sales tactics (generally over the telephone), and possibly false or misleading information to solicit generally unsophisticated investors.

Booking the Basis: A forward pricing sales arrangement in which the cash price is determined either by the buyer or seller within a specified time. At that time, the previously-agreed **basis** is applied to the then-current futures quotation.

Book Transfer: A series of accounting or bookkeeping entries used to settle a series of cash market transactions.

Box Spread: An option position in which the owner establishes a long call and a short put at one strike price and a short call and a long put at another strike price, all of which are in the same contract month in the same commodity.

Break: A rapid and sharp price decline.

Broad-Based Security Index: Any index of securities that does not meet the legal definition of **narrow-based security index**.

Broker: A person paid a fee or commission for executing buy or sell orders for a customer. In commodity futures trading, the term may refer to: (1) **Floor broker**, a person who actually executes orders on the trading floor of an exchange; (2) Account executive or **associated person**, the person who deals with customers in the offices of futures commission merchants; or (3) the **futures commission merchant**.

Broker Association: Two or more persons with exchange trading privileges who (1) share responsibility for executing customer orders; (2) have access to each other's unfilled customer orders as a result of common employment or other types of relationships; or (3) share profits or losses associated with their brokerage or trading activity.

Bucketing: Directly or indirectly taking the opposite side of a customer's order into a broker's own account or into an account in which a broker has an interest, without open and competitive execution of the order on an exchange. Also called **trading against**.

Bucket Shop: A brokerage enterprise that “books" (i.e., takes the opposite side of) **retail customer** orders without actually having them executed on an exchange.

Bull: One who expects a rise in prices. The opposite of **bear**. A news item is considered bullish if it is expected to result in higher prices.

Bullion: Bars or ingots of precious metals, usually cast in standardized sizes.

Bull Market: A market in which prices generally are rising over a period of months or years. Opposite of **bear market**.

Bull Spread: (1) A strategy involving the simultaneous purchase and sale of options of the

same class and expiration date but different strike prices. In a bull vertical spread, the purchased option has a higher delta than the option that is sold. For example, in a call bull spread, the purchased option has a lower **exercise price** than the sold option. Also called **bull vertical spread**. (2) The simultaneous purchase and sale of two futures contracts in the same or related commodities with the intention of profiting from a rise in prices but at the same time limiting the potential loss if this expectation is wrong. In agricultural commodities, this is accomplished by buying the nearby delivery and selling the deferred.

Bull Vertical Spread: See **Bull Spread**.

Buoyant: A market in which prices have a tendency to rise easily with a considerable show of strength.

Bust: An executed trade cancelled by an exchange that is considered to have been executed in error.

Bunched Order: A discretionary order entered on behalf of multiple customers.

Butterfly Spread: A three-legged option spread in which each leg has the same **expiration date** but different **strike prices**. For example, a butterfly spread in soybean call options might consist of one long call at a $5.50 strike price, two short calls at a $6.00 strike price, and one long call at a $6.50 strike price.

Buyer: A market participant who takes a long futures position or buys an option. An option buyer is also called a taker, holder, or owner.

Buyer's Call: A purchase of a specified quantity of a specific **grade** of a commodity at a fixed number of points above or below a specified delivery month futures price with the buyer allowed a period of time to fix the price either by purchasing a futures contract for the account of the seller or telling the seller when he wishes to fix the price. See **Seller's Call**.

Buyer's Market: A condition of the market in which there is an abundance of goods available and hence buyers can afford to be selective and may be able to buy at less than the price that previously prevailed. See **Seller's Market**.

Buying Hedge (or Long Hedge): Hedging transaction in which futures contracts are bought to protect against possible increases in the cost of commodities. See **Hedging**.

Buy (or Sell) On Close: To buy (or sell) at the end of the trading session within the closing price range.

Buy (or Sell) On Opening: To buy (or sell) at the beginning of a trading session within the open price range.